

NORTH CAROLINA GOVERNOR'S LOGISTICS TASK FORCE

COMMERCE SUBCOMMITTEE REPORT

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INTRODUCTION

In an effort to understand the respective business and commerce forces and the role that they play in the development of North Carolina's transportation infrastructure, the Logistics Task Force leadership chose to form a subcommittee specifically focused on such issues. Over its existence, the Commerce subcommittee has examined the predominant economic drivers of the state and has presented concepts by which the state can better serve its current industries, as well as work to develop future opportunities. The Task Force's regional outreach session focused on agriculture was developed specifically from a recommendation of this subcommittee.

Following the Task Force's regional outreach efforts the subcommittee was tasked with examining numerous areas in an effort to ensure that the state's business/commerce needs were appropriately and effectively conveyed in the ultimate final produce of the Task Force. The areas that the subcommittee was tasked with examining are listed below.

- Continue analysis of current markets for North Carolina products
- Development of list of potential future markets for North Carolina products
- Analyze the current and future logistics needs for North Carolina-based companies
- Analyze the current and future import market in North Carolina (i.e. what products are coming into the state and where are they going)
- Collaboration and discussion with "Defense Logistics Initiative" currently being developed by the North Carolina Eastern Region Military Growth Task Force

Included below are recommendations from the subcommittee to the full Task Force which reflect these directives, as well as other points which have been raised through the subcommittee's analysis and discussion. These recommendations are presented in a narrative form and though numbered for listing purposes are not classified in order of importance or priority.

RECOMMENDATION #1—NORTH CAROLINA STATE PORTS AUTHORITY

It has been well documented that North Carolina has a unique asset in that it owns, through the North Carolina State Ports Authority, two seaports located in Wilmington and Morehead City. These assets give the state the opportunity to participate in the global marketplace through the importation of foreign made goods into the state and country, as well as the exportation of North Carolina made goods to points across the globe. Over time, the state's port facilities have asserted various positions in the delineation of ports across the country regarding their volumes of imports and exports. Currently, the Authority is undergoing a transition process in which its oversight authority will be transferred from the North Carolina Department of Commerce to the North Carolina Department of Transportation.

In light of this transition process and the work currently underway through the work of the Task Force and the North Carolina Maritime Strategy effort, the subcommittee believes that further

analysis should be done as to the Authority's sales and marketing efforts. It has been brought to the attention of the subcommittee and the Task Force as a whole that there are numerous North Carolina-based companies (both headquarters and significant operations) which export their finished products or import raw materials through port facilities located in neighboring states. Though it has been presented that the Authority possesses a sales and marketing team, questions have been raised by the subcommittee as to their methodology and overall effectiveness in attracting North Carolina operations to utilize the Authority's facilities.

Therefore, the subcommittee recommends that a closer examination of the Authority's sales and marketing operations be undertaken. It is recommended that this analysis examine a myriad of factors including, but not limited to the marketing plan of the Authority; the sales methodology employed by the persons responsible for port promotion to both export/import customers, as well as the attraction of shipping lines; the ability and authority of sales staff to "make deals" regarding the needs/wants of prospective customers; and the previous efforts which have been made to contact North Carolina-based companies. The subcommittee also believes that efforts should be specifically focused on the needs of potential port customers [consumer/customer driven].

It is the belief of the subcommittee membership that through the above examination, the Authority will be able to develop a more concerted effort focused on the attraction of North Carolina-based companies and operations to increase utilization of the Authority's properties. This effort will be extremely beneficial both to the Authority, as well as to companies throughout the state who desire to use the facilities which are supported by the state in which they operate.

Also, with regards to the current efforts underway regarding the transition process of the Authority, the subcommittee supports the present actions of the Department of Transportation to work to ensure that the Authority and its respective facilities work to become a more profitable endeavor for the state, as well as a competitive and effective vehicle for North Carolina's engagement in the global marketplace. Port facilities have been seen to be a strong economic engine and an asset to the state from both a commerce and transportation perspective. It is the belief of the subcommittee that the efforts currently underway will help to continue to move the Authority forward in a positive manner.

RECOMMENDATION #2—NORTH CAROLINA ECONOMIC DRIVERS

Through the work of the Task Force, and specifically the Commerce subcommittee, it has been recognized that North Carolina is benefitted by having numerous strong industries which make up the majority of the state's economic picture. For the large portion of the state's history that picture has been dominated by the agriculture industry and that dominance persists today. As a \$74 billion per year industry, agriculture has a strong effect on most every county in the state. It employs thousands of persons and touches many other facets of the state's economy. Following behind agriculture are the military and tourism industries. Though each is of great importance to the state, their economic impacts are roughly \$35 billion and \$30 billion respectfully. Both industries continue to grow; the military industry has seen tremendous growth over the past decade through the national base realignment effort and the positioning of the U.S. Army Forces

Command [FORSCOM] in Fort Bragg. Much of the growth in the area of military industry has yet to be seen, as many efforts are underway to attract more military-focused businesses.

Even with these industries being the primary forces in the state's economy, they are not alone. It is clear that the economy of North Carolina is made up of numerous industries. The subcommittee has requested that staff work with the Department of Commerce to develop a chart listing these industries for distribution to the Task Force. It is clear that without all of these industries functioning in a collaborative fashion, the state would not be able to operate in an efficient manner.

Because of all of the varied industry needs the subcommittee recommends that there needs to be continued recognition of the diversity of industry sectors throughout the state. In order to recognize that diversity, the subcommittee recommends that efforts continue to enhance the connectivity between areas for business purposes. This connectivity will be discussed further in Recommendation #4—State Road/Highway Infrastructure.

RECOMMENDATION #3—STATE RAIL INFRASTRUCTURE

Through the work of the Task Force, the vast nature of the state's rail infrastructure has been brought to light. North Carolina possesses a unique asset in that it is one of only two states which own its own railroad, through the North Carolina Railroad Company. This corridor extends from Morehead City to Charlotte and is currently leased by the Class I carrier, Norfolk Southern. The state also has Class I rail service by CSX whose line runs throughout the state, primarily from Wilmington to Charlotte. The state also has numerous shortline railroads that cover many areas in rural North Carolina. Overall because of these resources, it has been seen by the subcommittee that North Carolina has a great amount of potential as it relates to rail.

The subcommittee has found that efforts have not been taken to best utilize the state's rail resources for the betterment of business interests throughout the state. The subcommittee recommends that more efforts need to be undertaken by the state to ensure competitive rail pricing for the movement of goods across North Carolina. The subcommittee also recommends that, through the current work of the USDOT Surface Transportation Board, dialogue between the state and the respective rail organizations operating in North Carolina needs to continue, and in many cases, be increased from current levels. It is the belief of the subcommittee that such dialogue and action is necessary in order to improve North Carolina's business interests and to allow for future business growth throughout the state.

RECOMMENDATION #4—STATE ROAD/HIGHWAY INFRASTRUCTURE

As has been regularly presented, the North Carolina Department of Transportation currently maintains more road miles than any other state in the country (roughly 80,000 miles). In order to complete such maintenance and development projects, the Department relies on numerous funding and prioritization programs such as the State Transportation Improvement Program (STIP), Highway Trust Fund, and the recently-created Mobility Fund.

It has long been the direction of the state to work to connect its rural and urban areas. Under the direction of Governor Cameron Morrison, the state's first highway system was created with the

intention of connection farms to market. Much of the analysis done by the subcommittee and Task Force as a whole has found that these connections still need to exist. ["Farm to Fork"]

Though the state possesses a fairly substantial rail infrastructure, it has been presented that the majority of commodities moving throughout North Carolina are still carried by trucks. Because of this fact, the subcommittee recommends that the Department engage in analysis related to the incorporation of business/commerce needs to its existing and future funding formulas and prioritization programs. As has been presented to the subcommittee, many of these efforts are currently underway through the Department's 2040 Strategic Planning efforts, as well as the development of further iterations of the prioritization programs (i.e. SPOT 2.0 and 3.0).

Also, it has been seen by the subcommittee that more emphasis needs to be placed on improving the connections to the State Ports facilities in both Wilmington and Morehead City. Currently, both facilities are experiencing significant congestion due to incoming and outgoing products from both facilities. In the case of Morehead City, the port facility is served by a two-lane road which is the only access on and off the peninsula. Any amount of congestion from either cars or trucks can cause time delays throughout the corridor. With regards to Wilmington, at current volumes of production, a significant amount of truck congestion has been seen on area streets. It has been stated that though increased volume of business would be welcome at the Port of Wilmington, any volume increase would have a detrimental effect on the surrounding infrastructure. Due to both of these hindrances to port access, it is recommended by the subcommittee that further study be completed regarding improving access to both facilities. This study should include an examination of routes to and from the port, as well as discussion regarding new infrastructure development. The subcommittee recommends that analysis be completed of the infrastructure supporting neighboring port facilities such as those in South Carolina, Virginia and Georgia.

A conceptual recommendation from the subcommittee to address the congestion issue facing the Port of Morehead City would be the creation of a dual-use bypass corridor. Such a corridor would provide both highway and rail infrastructure and would conceptually be constructed outside of the city limits of Morehead City, but would connect directly to the port facility. Hypothetically such a corridor would help to relieve congestion caused by current port activities, as well as support any future growth, development and use of the property. Such a bypass may also be needed to support the Port of Wilmington.

Finally, the subcommittee recognizes that any infrastructure improvements will need to be supported through some type of funding source. Due to the state's current economic situation and potential future needs, the subcommittee recommends that analysis be done into the development and utilization of "creative funding" mechanisms for road infrastructure improvements. These mechanisms could be through modification of existing mechanisms (i.e. Highway Trust Fund, Mobility Fund, etc.) or through the creation of new funding formulas specifically related to improvements for commerce purposes. The potential for analysis into the impact of truck volumes should also be included into any future funding formulas. The subcommittee believes that it is necessary for funding programs to exist which work to address

“Projects of Statewide Significance” for the sustainment of current and the development of future business/commerce opportunities.

Finally, the subcommittee recommends that continued analysis be done into the impact that regulations have on the movement of goods throughout the state by way of roads/highways. This analysis can include truck weight and axel laws, cohesion between federal and state regulations, as well as many other topics. Such analysis should also take into account the impact that volume increases may have on surface conditions and longevity. Though the subcommittee recognizes that some work has been done through the North Carolina General Assembly regarding weight regulations, the subcommittee believes that other issues have yet to be resolved which would be of benefit to companies looking to transport freight on North Carolina's roads.

RECOMMENDATION #6—RAIL PASSENGER SERVICE

On numerous occasions the importance of increased passenger rail service throughout the state has been presented to the Task Force. Also the Task Force has heard about the ongoing efforts to develop a high-speed rail corridor through the state, as a part of a larger national network (SESHR corridor). The subcommittee believes that connections between population centers and points throughout the state, especially those with vibrant tourism industries are necessary for the continued development of that economic sector. Due to the fact that further presentations will be made to the Task Force over the coming months, the subcommittee reserves the right to make a specific recommendation regarding passenger service until a later date.

RECOMMENDATION #7—STATE AVIATION INFRASTRUCTURE

The Task Force has certainly heard about the strong airports across North Carolina and the vital link that they provide for the state's tourism industry. Also, the growth in freight transport over the past decade has been well-discussed. Much of the growth in freight volumes leaving North Carolina is due to the location of the Fed-Ex hub at the Piedmont Triad International Airport outside of Greensboro. This location serves as a strong economic engine for both the local economy, as well as the state as a whole. The growth at the North Carolina Global TransPark has also been discussed at length. Because of the strong existing airports, the subcommittee recommends that continued investment be made in the sustainment and development of these facilities.

One area that the subcommittee believes could be improved is in the connection to the western part of the state, particularly west of Asheville. With the growing tourism-based economy of the west, thanks in large part to the growth of the Harrah's Cherokee Hotel and Casino complex, a need has been presented for increased service to the Andrews/Murphy area. Such volume increase would require the lengthening of the existing runway, a project which is currently being examined by the state, as well as private interests. There has also been a significant amount of interest from the FAA, as well as the U.S. Forest Service for utilization as both a base of operations for emergency management functions, firefighting capabilities, and serving as a potential overflow facility for the Atlanta Hartsfield Airport. The subcommittee recommends that work continue on this project as it would serve as a vital connection to a thriving tourism asset, as well as the farthest western reaches of the state.